

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2010

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2010

	<u>Page</u>
<u>Officials</u>	1
<u>Independent Auditor's Report</u>	2
<u>Management's Discussion and Analysis</u>	3-10
<u>Basic Financial Statements:</u>	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 11
Statement of Activities	B 12-13
Governmental Fund Financial Statements:	
Balance Sheet	C 14
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D 15
Statement of Revenues, Expenditures and Changes in Fund Balances	E 16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 17
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 18
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 19
Statement of Cash Flows	I 20
Notes to Financial Statements	21-32
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds	33-34
Notes to Required Supplementary Information – Budgetary Reporting	35
Schedule of Funding Progress for the Retiree Health Plan	36
<u>Other Supplementary Information:</u>	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 37
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 38
Nonmajor Proprietary Funds:	
Combining Schedule of Net Assets	3 39
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	4 40
Combining Schedule of Cash Flows	5 41
Schedule of Changes in Special Revenue Fund – Student Activity Accounts	6 42
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	7 43-44
<u>Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards</u>	45-46
<u>Schedule of Findings</u>	47-49

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2010

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2009 Election)</b>		
John Custer	Board President	2009
Alan Ackerman	Vice President	2011
Dick Morrison	Board Member	2011
Tammy Lawrence	Board Member	2009
John Gent	Board Member	2011
<b>Board of Education (After September 2009 Election)</b>		
John Gent	Board President	2011
Amy Stephenson	Vice President	2011
Steve Axmear	Board Member	2013
Alan Ackerman	Board Member	2011
Terri Riegel	Board Member	2013
Angie George	Board Member	2011
Dick Morrison	Board Member	2011
<b>School Officials</b>		
Alan J. Jensen	Superintendent	2010
Wendy Ayers	District Secretary/Treasurer	2010
Elwood, Elwood, & Leinen	Attorney	2010
Ahlers & Cooney PC	Attorney	2010
Bloethe, Elwood, and Buchanan	Attorney	2010
Engel Law Firm	Attorney	2010

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
English Valleys Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of English Valleys Community School District, North English, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of English Valleys Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2011 on our consideration of English Valleys Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 3 through 10 and 33 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise English Valleys Community School District's basic financial statements. We previously audited, in accordance with standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2009 (which are not presented herein), and expressed unqualified opinions on those financial statements. The financial statements for the four years ended June 30, 2005 (which are not presented herein) were audited by other auditors, who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
March 31, 2011

---

# MANAGEMENT'S DISCUSSION AND ANALYSIS

---

English Valleys Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. For comparative purposes, fiscal year 2009 amounts include a combination of English Valleys and Deep River-Millersburg Community School Districts. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

## 2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,347,419 in fiscal 2009 to \$5,560,540 in fiscal 2010, while General Fund expenditures decreased from \$6,429,944 in fiscal 2009 to \$5,243,729 in fiscal 2010. The District's General Fund balance increased from \$115,647 in fiscal 2009 to \$445,233 in fiscal 2010, a 285.0% increase.

## USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of English Valleys Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

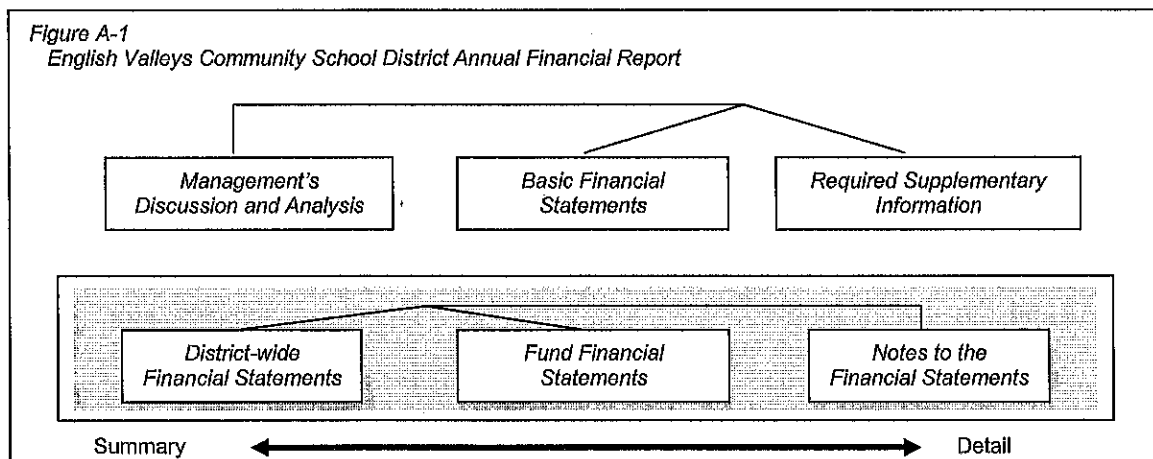


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and student built houses
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## Reporting the District's Financial Activities

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and student-built house programs are included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Student-Built House Fund. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently has one Internal Service Fund, the Flex Benefit Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	\$ 5,442,842	\$ 4,712,048	\$ 30,483	\$ 57,470	\$ 5,473,325	\$ 4,769,518	14.7%
Capital assets	3,382,134	3,583,165	995	3,584	3,383,129	3,586,749	(5.7)%
Total assets	<u>8,824,976</u>	<u>8,295,213</u>	<u>31,478</u>	<u>61,054</u>	<u>8,856,454</u>	<u>8,356,267</u>	5.9%
Long-term Liabilities	1,537,524	1,576,272	5,312	-	1,542,836	1,576,272	(2.2)%
Other liabilities	3,557,765	3,543,656	16,893	14,155	3,574,658	3,557,811	.4%
Total liabilities	<u>5,095,289</u>	<u>5,119,928</u>	<u>22,205</u>	<u>14,155</u>	<u>5,117,494</u>	<u>5,134,083</u>	(.4)%
Net assets							
Invested in capital assets, net of related debt	2,042,134	2,048,165	995	3,584	2,043,129	2,051,749	(.5)%
Restricted	1,392,145	484,117	-	-	1,392,145	484,117	187.5%
Unrestricted	<u>295,408</u>	<u>643,003</u>	<u>8,278</u>	<u>43,315</u>	<u>303,686</u>	<u>686,318</u>	(55.8)%
Total net assets, as restated	<u>\$ 3,729,687</u>	<u>\$ 3,175,285</u>	<u>\$ 9,273</u>	<u>\$ 46,899</u>	<u>\$ 3,738,960</u>	<u>\$ 3,222,184</u>	16.0%

The District's combined net assets increased by approximately 16.0%, or \$516,776, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$908,028, or approximately 187.5% over the prior year. This increase is primarily due more capital projects revenues in the current year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$382,632, or approximately 55.8%. This reduction in unrestricted net assets was primarily a result of the District experiencing an increase in revenues which were more than offset by the District's increase in expenses. In addition, the District implemented GASB Statement No. 45 during the fiscal year which requires the District to accrue Other Post Employment Benefits which had not been accrued previously.

Figure A-4 shows the change in net assets for the years ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4 Change in Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues							
Program revenues:							
Charges for services and sales	\$ 482,991	\$ 783,145	\$ 131,917	\$ 149,744	\$ 614,908	\$ 932,889	(34.1)%
Operating grants contributions and restricted interest	1,171,335	866,604	96,667	102,710	1,268,002	969,314	30.8%
General revenues:							
Property and sales tax	3,020,122	3,039,148	-	-	3,020,122	3,039,148	(.7)%
Unrestricted state grants	1,857,915	2,604,187	-	-	1,857,915	2,604,187	(28.7)%
Unrestricted investment earnings	17,112	49,956	159	316	17,271	50,272	(65.7)%
Other	135,447	152,495	4,944	10,999	140,391	163,494	(14.2)%
Total revenues	<u>6,684,922</u>	<u>7,495,535</u>	<u>233,687</u>	<u>263,769</u>	<u>6,918,609</u>	<u>7,759,304</u>	(10.9)%
Program expenses:							
Instruction	4,297,215	5,148,554	-	-	4,297,215	5,148,554	(16.6)%
Support services	1,480,235	1,649,976	-	-	1,480,235	1,649,976	(10.3)%
Non-instructional programs	-	37,344	248,538	289,776	248,538	327,120	(24.1)%
Other expenses	375,845	395,157	-	-	375,845	395,157	(4.9)%
Total expenses	<u>6,153,295</u>	<u>7,231,031</u>	<u>248,538</u>	<u>289,776</u>	<u>6,401,833</u>	<u>7,520,807</u>	(14.9)%
Transfers	<u>22,775</u>	<u>18,129</u>	<u>(22,775)</u>	<u>(18,129)</u>	<u>-</u>	<u>-</u>	0.0%
Change in net assets	\$ <u>554,402</u>	\$ <u>282,633</u>	\$ <u>(37,626)</u>	\$ <u>(44,136)</u>	\$ <u>516,776</u>	\$ <u>238,497</u>	116.6%

In the fiscal year 2010 property tax, sales tax and unrestricted state grants account for 72.9% of governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 93.8% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$6,684,922 and expenses were \$6,153,295 for the year ended June 30, 2010.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	June 30,		Total Change	June 30,		Total Change
	2010	2009	2009-2010	2010	2009	2009-2010
Instruction	\$ 4,297,215	\$ 5,148,554	(16.6)%	\$ 2,965,590	\$ 3,841,631	(22.9)%
Support services	1,480,235	1,649,976	(10.3)%	1,386,998	1,528,926	(9.3)%
Other expenses	375,845	432,501	(13.1)%	146,381	210,725	(30.6)%
Total expenses	<u>\$ 6,153,295</u>	<u>\$ 7,231,031</u>	<u>(15.0)%</u>	<u>\$ 4,498,969</u>	<u>\$ 5,581,282</u>	<u>(19.4)%</u>

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$482,991.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,171,335.
- The net cost of governmental activities was financed with \$3,020,122 in property and other taxes and \$1,857,915 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities during the year end June 30, 2010 were \$233,687 representing a 11.5% decrease over the prior year while expenses totaled \$248,538, a 14.3% decrease from the prior year. The District's business type activities include the School Nutrition Fund and Student-Built House Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, English Valleys Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,821,314, above last year's ending fund balances of \$1,174,815. The primary reason for the increase in combined fund balances at the end of fiscal year 2010 is due to eliminating expenses by combining positions due to the merger.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$115,647 to \$445,233 which is the result of many factors. Primarily, growth during the year in tax and grant receipts resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures. Additionally, monies were transferred in from the Student Built House Fund which resulted in an increase in fund balance.

### **Proprietary Fund Highlights**

- Enterprise Fund net assets decreased from \$46,899 at June 30, 2009 to \$9,273 at June 30, 2010, representing a decrease of approximately 80.3% due primarily to transfers to the General Fund and the implementation of GASB 45, which required the fund to start accruing OPEB.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, English Valleys Community School District made no amendments to its annual budget.

The District's revenues were \$1,358,150 less than budgeted revenues, a variance of 16.5%. The most significant variance resulted from the District receiving less in State and Local sources than originally anticipated.

Total expenditures were \$4,774,493 less than budgeted.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2010, the District had invested \$3,383,129 net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and intangible assets. (See Figure A-6) This represents a net decrease of approximately 5.7% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation/amortization expense for the year was \$203,836.

The original cost of the District's capital assets was \$9,589,854. Governmental funds account for \$9,505,034, with the remainder of \$84,820 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in Furniture and Equipment category. The District's Furniture and Equipment totaled \$3,636,289 at June 30, 2010, compared to \$3,710,265 reported at June 30, 2009. This decrease resulted from the purchase of a portable stage and disposal of buses and a van required in the merger with Deep River-Millersburg.

Figure A-6  
Capital Assets, Net of Depreciation/Amortization

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		
	2010	2009	2010	2009	2010	2009	2009-2010
Land and construction in progress	\$ 257,413	\$ 260,762	\$ -	\$ -	\$ 257,413	\$ 260,762	(1.3)%
Buildings and improvements	2,800,912	2,905,882	-	-	2,800,912	2,905,882	(3.6)%
Furniture and equipment	323,809	416,521	995	3,584	324,804	420,105	(22.7)%
Totals, as restated	\$ 3,382,134	\$ 3,583,165	\$ 995	\$ 3,584	\$ 3,383,129	\$ 3,586,749	(5.7)%

### Long-Term Debt

At June 30, 2010, the District had \$1,537,524, net of unamortized discount and deferred changes, in long-term debt outstanding. This represents a decrease of approximately 2.5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt Districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$7.44 million.

Figure A-7  
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		
	2010	2009	2009-2010
General obligation bonds	\$ 1,340,000	\$ 1,535,000	(12.8)%
Early retirement	156,336	194,667	(19.7)%
Net OPEB liability	169,026	-	100%
Total	\$ 1,665,362	\$ 1,729,667	3.8%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District maintains its awareness that due to tough economic conditions, state-wide budget cuts are always a possibility and directly impact the District's funding of future expenditures.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Wendy Ayers, District Secretary/Treasurer, English Valleys Community School District, PO Box 490, North English, Iowa 52316.

## BASIC FINANCIAL STATEMENTS

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2010

	Governmental Activities	Business Type Activities	Total
<u>ASSETS</u>			
Cash and pooled investments	\$ 2,417,648	\$ 29,146	\$ 2,446,794
Receivables:			
Property tax:			
Delinquent	36,449	-	36,449
Succeeding year	2,676,962	-	2,676,962
Accounts receivable	61,319	383	61,702
Due from other governments	250,464	-	250,464
Inventories	-	954	954
Capital assets, net of accumulated depreciation/amortization	3,382,134	995	3,383,129
TOTAL ASSETS	8,824,976	31,478	8,856,454
<u>LIABILITIES</u>			
Accounts payable	52,621	193	52,814
Checks in excess of balance	3,099	-	3,099
Salaries and benefits payable	600,259	11,499	611,758
Accrued interest payable	6,142	-	6,142
Deferred revenue - Succeeding year property tax	2,676,962	-	2,676,962
Deferred revenue - Other	218,682	5,201	223,883
Long-term liabilities:			
Portion due within one year:			
Bonds payable	205,000	-	205,000
Early retirement	45,869	-	45,869
Unamortized discount	(838)	-	(838)
Unamortized deferred charge	(24,729)	-	(24,729)
Portion due after one year:			
Bonds payable	1,135,000	-	1,135,000
Early retirement	110,467	-	110,467
Unamortized discount	(3,354)	-	(3,354)
Unamortized deferred charge	(98,917)	-	(98,917)
Net OPEB liability	169,026	5,312	174,338
TOTAL LIABILITIES	5,095,289	22,205	5,117,494
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	2,042,134	995	2,043,129
Restricted for:			
Physical plant and equipment levy	344,138	-	344,138
Other special revenue purposes	88,477	-	88,477
Capital projects	958,887	-	958,887
Debt service	643	-	643
Unrestricted	295,408	8,278	303,686
TOTAL NET ASSETS	\$ 3,729,687	\$ 9,273	\$ 3,738,960

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

		Program Revenues	
		Charges for	Operating Grants,
	Expenses	Services	Contributions
			and Restricted
			Interest
<u>FUNCTIONS/PROGRAMS:</u>			
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,904,370	\$ 330,716	\$ 522,251
Special instruction	689,125	61,706	330,223
Other instruction	703,720	-	86,729
	<u>4,297,215</u>	<u>392,422</u>	<u>939,203</u>
Support services:			
Student	96,564	-	-
Instructional staff	73,917	-	-
Administration	724,692	90,569	-
Operation and maintenance of plant	267,905	-	-
Transportation	317,157	-	2,668
	<u>1,480,235</u>	<u>90,569</u>	<u>2,668</u>
Other expenditures:			
Long-term debt interest	73,696	-	-
AEA flowthrough	229,464	-	229,464
Depreciation/amortization (unallocated)*	72,685	-	-
	<u>375,845</u>	<u>-</u>	<u>229,464</u>
Total governmental activities	<u>6,153,295</u>	<u>482,991</u>	<u>1,171,335</u>
Business type activities:			
Non-instructional programs:			
Nutrition services	248,313	131,917	96,667
Student-built house	225	-	-
Total business type activities	<u>248,538</u>	<u>131,917</u>	<u>96,667</u>
Total	<u>\$ 6,401,833</u>	<u>\$ 614,908</u>	<u>\$ 1,268,002</u>

GENERAL REVENUES:

Property tax levied for:
General purposes
Capital projects
Debt services
Sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Other
Transfers
Total general revenues

Changes in net assets

Net assets - Beginning of year, as restated

Net assets - End of year

\* This amount excludes the depreciation/amortization included in the direct expense of various programs

See Notes to Financial Statements

Net (Expense) Revenue and Changes In Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (2,051,403)	\$ -	\$ (2,051,403)
(297,196)	-	(297,196)
<u>(616,991)</u>	<u>-</u>	<u>(616,991)</u>
<u>(2,965,590)</u>	<u>-</u>	<u>(2,965,590)</u>
(96,564)	-	(96,564)
(73,917)	-	(73,917)
(634,123)	-	(634,123)
(267,905)	-	(267,905)
<u>(314,489)</u>	<u>-</u>	<u>(314,489)</u>
<u>(1,386,998)</u>	<u>-</u>	<u>(1,386,998)</u>
(73,696)	-	(73,696)
-	-	-
<u>(72,685)</u>	<u>-</u>	<u>(72,685)</u>
<u>(146,381)</u>	<u>-</u>	<u>(146,381)</u>
<u>(4,498,969)</u>	<u>-</u>	<u>(4,498,969)</u>
-	(19,729)	(19,729)
-	(225)	(225)
-	<u>(19,954)</u>	<u>(19,954)</u>
<u>(4,498,969)</u>	<u>(19,954)</u>	<u>(4,518,923)</u>
2,207,434	-	2,207,434
190,168	-	190,168
231,393	-	231,393
391,127	-	391,127
1,857,915	-	1,857,915
17,112	159	17,271
135,447	4,944	140,391
<u>22,775</u>	<u>(22,775)</u>	<u>-</u>
<u>5,053,371</u>	<u>(17,672)</u>	<u>5,035,699</u>
554,402	(37,626)	516,776
<u>3,175,285</u>	<u>46,899</u>	<u>3,222,184</u>
\$ <u>3,729,687</u>	\$ <u>9,273</u>	\$ <u>3,738,960</u>

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and pooled investments	\$ 1,062,437	\$ -	\$ 1,285,306	\$ 2,347,743
Receivables:				
Property tax:				
Delinquent	29,506	3,742	3,201	36,449
Succeeding year	2,202,742	247,828	226,392	2,676,962
Accounts receivable	50,471	-	10,848	61,319
Due from other governments	<u>124,409</u>	<u>-</u>	<u>126,055</u>	<u>250,464</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>3,469,565</u></b>	<b>\$ <u>251,570</u></b>	<b>\$ <u>1,651,802</u></b>	<b>\$ <u>5,372,937</u></b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 50,445	\$ -	\$ 2,176	\$ 52,621
Checks issued in excess of balance	-	3,099	-	3,099
Salaries and benefits payable	568,527	-	31,732	600,259
Deferred revenue:				
Succeeding year property tax	2,202,742	247,828	226,392	2,676,962
Other	<u>218,682</u>	<u>-</u>	<u>-</u>	<u>218,682</u>
Total liabilities	<u>3,040,396</u>	<u>250,927</u>	<u>260,300</u>	<u>3,551,623</u>
<u>FUND BALANCES:</u>				
Reserved for:				
Debt service	-	643	-	643
Unreserved, undesignated:				
Special revenue funds	-	-	432,615	432,615
Other governmental	<u>429,169</u>	<u>-</u>	<u>958,887</u>	<u>1,388,056</u>
Total fund balances	<u>429,169</u>	<u>643</u>	<u>1,391,502</u>	<u>1,821,314</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>3,469,565</u></b>	<b>\$ <u>251,570</u></b>	<b>\$ <u>1,651,802</u></b>	<b>\$ <u>5,372,937</u></b>

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010

TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS \$ 1,821,314

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 3,382,134

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (6,142)

The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets. 69,905

Long-term liabilities, including bonds and early retirement payable, and net OPEB liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (1,537,524)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 3,729,687

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 2,122,112	\$ 239,849	\$ 658,159	\$ 3,020,120
Tuition	231,404	-	-	231,404
Other	177,774	-	229,725	407,499
State sources	2,609,144	-	-	2,609,144
Federal sources	420,106	-	-	420,106
Total revenues	<u>5,560,540</u>	<u>239,849</u>	<u>887,884</u>	<u>6,688,273</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	2,621,467	-	256,436	2,877,903
Special	677,358	-	-	677,358
Other	544,006	-	147,003	691,009
	<u>3,842,831</u>	<u>-</u>	<u>403,439</u>	<u>4,246,270</u>
Support services:				
Student	3,745	-	-	3,745
Instructional staff	72,654	-	-	72,654
Administration	554,811	-	65,672	620,483
Operation and maintenance of plant	261,848	-	-	261,848
Transportation	294,440	-	-	294,440
	<u>1,187,498</u>	<u>-</u>	<u>65,672</u>	<u>1,253,170</u>
Other expenditures:				
Facilities acquisitions	-	-	92,455	92,455
Long-term debt:				
Principal	-	195,000	-	195,000
Interest and fiscal charges	-	48,190	-	48,190
AEA flowthrough	229,464	-	-	229,464
	<u>229,464</u>	<u>243,190</u>	<u>92,455</u>	<u>565,109</u>
Total expenditures	<u>5,259,793</u>	<u>243,190</u>	<u>561,566</u>	<u>6,064,549</u>
Excess (deficiency) of revenues over expenditures	<u>300,747</u>	<u>(3,341)</u>	<u>326,318</u>	<u>623,724</u>
Other financing sources (uses):				
Transfers in	22,775	-	10,000	32,775
Transfers out	(10,000)	-	-	(10,000)
Total other financing sources (uses)	<u>12,775</u>	<u>-</u>	<u>10,000</u>	<u>22,775</u>
Net change in fund balances	313,522	(3,341)	336,318	646,499
<b>FUND BALANCES - Beginning of year, as restated</b>	<u>115,647</u>	<u>3,984</u>	<u>1,055,184</u>	<u>1,174,815</u>
<b>FUND BALANCES - End of year</b>	<u>\$ 429,169</u>	<u>\$ 643</u>	<u>\$ 1,391,502</u>	<u>\$ 1,821,314</u>

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 646,499

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation/amortization expense in the Statement of Activities. Depreciation/amortization expense and capital asset disposals exceeded capital outlay expenditures in the current year as follows:

Capital outlays	\$ 3,565	
Disposals	(3,349)	
Depreciation/amortization expense	<u>(201,247)</u>	(201,031)

The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

70,126

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded amortization as follows:

Amortization of bond discount and deferred charge	\$ (25,567)	
Repaid	<u>195,000</u>	169,433

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Early retirement	\$ 38,341	
Net OPEB liability	<u>(169,026)</u>	(130,685)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded in the governmental funds as an expenditure when paid. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is paid.

60

CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 554,402

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICTSTATEMENT OF NET ASSETSPROPRIETARY FUNDSJUNE 30, 2010

	Business Type Activities Nonmajor Enterprise	Governmental Activities Internal Service
<u>ASSETS</u>		
Cash and pooled investments	\$ 29,146	\$ 69,905
Accounts receivable	383	-
Inventories	954	-
Capital assets, net of accumulated depreciation/amortization	<u>995</u>	<u>-</u>
TOTAL ASSETS	<u>31,478</u>	<u>69,905</u>
<u>LIABILITIES</u>		
Accounts payable	193	-
Salaries and benefits payable	11,499	-
Deferred revenues	5,201	-
Net OPEB liability	<u>5,312</u>	<u>-</u>
TOTAL LIABILITIES	<u>22,205</u>	<u>-</u>
<u>NET ASSETS</u>		
Investment in capital assets, net of related debt	995	-
Unrestricted	<u>8,278</u>	<u>69,905</u>
TOTAL NET ASSETS	\$ <u>9,273</u>	\$ <u>69,905</u>

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2010

	<u>Business Type</u> <u>Activities</u> <u>Nonmajor</u> <u>Enterprise</u>	<u>Governmental</u> <u>Activities</u> <u>Internal</u> <u>Service</u>
<u>OPERATING REVENUES:</u>		
Local sources:		
Charges for services	\$ 131,917	\$ 623,277
Miscellaneous	4,944	-
Total operating revenues	<u>136,861</u>	<u>623,277</u>
<u>OPERATING EXPENSES:</u>		
Non-instructional programs:		
Employee benefits:		
Miscellaneous	-	553,208
Food service operations:		
Salaries	85,297	-
Benefits	24,871	-
Supplies	133,532	-
Miscellaneous	2,249	-
Depreciation	2,589	-
Total operating expenses	<u>248,538</u>	<u>553,208</u>
OPERATING INCOME (LOSS)	<u>(111,677)</u>	<u>70,069</u>
<u>NON-OPERATING REVENUES:</u>		
State sources	2,160	-
Federal sources	94,507	-
Interest income	159	57
Total non-operating revenues	<u>96,826</u>	<u>57</u>
Gain (Loss) before transfers	(14,851)	70,126
Other financing uses:		
Transfers out	<u>(22,775)</u>	-
Total other financing uses	<u>(22,775)</u>	-
CHANGE IN NET ASSETS	(37,626)	70,126
<u>NET ASSETS</u> - Beginning of year, as restated	<u>46,899</u>	<u>(221)</u>
<u>NET ASSETS</u> - End of year	\$ <u>9,273</u>	\$ <u>69,905</u>

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2010

	Business Type Activities Nonmajor Enterprise	Governmental Activities Internal Service
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from sale of meals	\$ 148,805	\$ -
Cash received for services	-	623,277
Cash received for miscellaneous items	4,744	-
Cash payments to employees for services	(104,931)	-
Cash payments to suppliers for goods or services	(133,510)	(553,208)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(84,892)	70,069
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>		
State grants received	2,160	-
Federal grants received	80,330	-
Transfers out	(22,775)	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	59,715	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest on investments	159	57
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(25,018)	70,126
<u>CASH AND CASH EQUIVALENTS - Beginning of year, as restated</u>	54,164	(221)
<u>CASH AND CASH EQUIVALENTS - End of year</u>	\$ 29,146	\$ 69,905
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>		
Operating income (loss)	\$ (111,677)	\$ 70,069
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Commodities consumed	14,177	-
Depreciation	2,589	-
Increase in accounts receivable	(304)	-
Decrease in inventories	2,273	-
Increase in accounts payable	193	-
Decrease in salaries and benefits payable	(270)	-
Increase in deferred revenue	2,815	-
Increase in net OPEB liability	5,312	-
Net cash provided (used) by operating activities	\$ (84,892)	\$ 70,069
<u>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</u>		
During the year ended June 30, 2010, the District received \$14,177 in federal commodities.		

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The English Valleys Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of North English, Iowa, and the predominate agricultural territory in Keokuk and Iowa Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### Reporting Entity

For financial reporting purposes, English Valleys Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The English Valleys Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

#### Jointly Governed Organization

The District does not participate in any jointly governed organizations for which the District is financially accountable or that the nature and significance of the relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete.

#### Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports no major proprietary funds. However, the District reports nonmajor proprietary funds and an Internal Service Fund. The Internal Service, Flex Benefit Fund is utilized to account for employee flexible benefits.

Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on the January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

Due from Other Governments – Due from other governments represent amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	2,500
Furniture and equipment	2,500

Capital assets are depreciated/amortized using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-15 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Early Retirement – District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2010. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds that will not be recognized as revenue until money is spent for the purposes under the provisions of the respective grants.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental type and business type activities columns in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

NOTE 2: CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 2: CASH AND POOLED INVESTMENTS (Continued)

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust diversified portfolio which are valued at an amortized cost of \$2,199,020 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk - The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

Interest Rate Risk - The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

NOTE 3: IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>	<u>Interest Payable</u>
2009-10A	June 25, 2009	June 23, 2010	\$ <u>      -</u>	\$ <u>250,000</u>	\$ <u>250,000</u>	\$ <u>      -</u>	\$ <u>      -</u>

During the year ended June 30, 2010, the District paid \$1,793 of interest on the ISCAP warrants.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

**NOTE 4: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2010 was as follows:

	<u>Balance Beginning of Year, as restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 260,762	\$ -	\$ 3,349	\$ 257,413
Total capital assets not being depreciated	<u>260,762</u>	<u>-</u>	<u>3,349</u>	<u>257,413</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	5,611,332	-	-	5,611,332
Furniture and equipment	<u>3,710,265</u>	<u>3,565</u>	<u>77,541</u>	<u>3,636,289</u>
Total capital assets being depreciated/amortized	<u>9,321,597</u>	<u>3,565</u>	<u>77,541</u>	<u>9,247,621</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	2,705,450	104,970	-	2,810,420
Furniture and equipment	<u>3,293,744</u>	<u>96,277</u>	<u>77,541</u>	<u>3,312,480</u>
Total accumulated depreciation/amortization	<u>5,999,194</u>	<u>201,247</u>	<u>77,541</u>	<u>6,122,900</u>
Total capital assets being depreciated/amortized, net	<u>3,322,403</u>	<u>(197,682)</u>	<u>-</u>	<u>3,124,721</u>
Governmental activities capital assets, net	\$ <u>3,583,165</u>	\$ <u>(197,682)</u>	\$ <u>3,349</u>	\$ <u>3,382,134</u>
Business type activities:				
Furniture and equipment	\$ 84,820	\$ -	\$ -	\$ 84,820
Less accumulated depreciation	<u>81,236</u>	<u>2,589</u>	<u>-</u>	<u>83,825</u>
Business-type activities capital assets, net	\$ <u>3,584</u>	\$ <u>2,589</u>	\$ <u>-</u>	\$ <u>995</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:

Instruction:

    Regular

\$ 15,959

    Other

977

Support services:

    Instructional staff

90,037

    Administration

3,038

    Operation and maintenance of plant

1,464

    Transportation

17,087

Unallocated

72,685

Total depreciation expense – Governmental activities

\$ 201,247

Business type activities:

    School nutrition

\$ 2,589

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 5: LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 1,535,000	\$ -	\$ 195,000	\$ 1,340,000	\$ 205,000
Early retirement	194,677	-	38,341	156,336	45,869
Net OPEB liability	<u>-</u>	<u>169,026</u>	<u>-</u>	<u>169,026</u>	<u>-</u>
Total	\$ <u>1,729,677</u>	\$ <u>169,026</u>	\$ <u>233,341</u>	\$ <u>1,665,362</u>	\$ <u>250,869</u>

The District's business type activities portion of the net OPEB liability was \$5,312 at June 30, 2010.

General Obligation Bonds

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Refunding Bonds Dated July 1, 2003</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	3.00	\$ 205,000	\$ 42,427	\$ 247,427
2012	3.00	215,000	36,277	251,277
2013	3.00	220,000	29,827	249,827
2014	3.25	225,000	23,227	248,227
2015	3.30	235,000	15,915	250,915
2016	3.40	<u>240,000</u>	<u>8,160</u>	<u>248,160</u>
		\$ <u>1,340,000</u>	\$ <u>155,833</u>	\$ <u>1,495,833</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees, who meet certain eligibility guidelines. Eligible employees must be between the ages of 55 and 62 and have completed 15 years of consecutive service to the District. Employees must have completed an application, which was required to be approved by the Board of Education. The early retirement benefit is calculated as 100% of the difference between the B.A step 0 and the employee's position on the salary scale as of the start of the year following retirement. In addition, the District will pay for single health and major medical insurance coverage under the District's insurance policy until the retiree reaches age 65. Early retirement benefits paid during the year ended June 30, 2010 totaled \$38,341.

NOTE 6: PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$179,761, \$185,997 and \$163,248 respectively, equal to the required contributions for each year.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 78 active and 11 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	233,645
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost		233,645
Contributions made		(59,307)
Increase in net OPEB obligation		174,338
Net OPEB obligation beginning of year		-
Net OPEB obligation end of year	\$	<u>174,338</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$59,307 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>		<u>Annual</u>	<u>Percentage of</u>	
		<u>OPEB Cost</u>	<u>Annual OPEB</u>	<u>Net OPEB</u>
			<u>Cost Contributed</u>	<u>Obligation</u>
June 30, 2010	\$	<u>233,645</u>	25.4%	\$ <u>174,338</u>

Funding Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$1,966,735, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,966,735. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,567,000 and the ratio of the UAAL to covered payroll was 76.6%. As of June 30, 2010, there were no trust fund assets.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced .5% each year until reaching the 6% ultimate medical trend rate.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the 2006 Society of Actuaries Study.

Projected claim costs of the medical plan are \$382.24 per month. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9: AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$229,464 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 10: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Enterprise: Student-Built House	\$ 22,775
Special Revenue: Student Activity	General	10,000
Total		\$ <u>32,775</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTE 11: DEFICIT BALANCES

At June 30, 2010, one fund had a deficit balance as follows:

Nutrition Fund	\$ <u>5,968</u>
----------------	-----------------

This deficit balance was the result of costs in excess of available funds. This deficit will be eliminated upon collection of future revenues of the Nutrition Fund.

NOTE 12: OPERATING LEASE

The District leases two copiers with terms through February 24, 2014. The lease is considered an operating lease and monthly lease payments are \$744. Rent expense for the year ended June 30, 2010 was \$8,929. Future minimum lease payments are as follows:

<u>June 30,</u>	
2011	\$ 8,929
2012	8,929
2013	8,929
2014	<u>5,954</u>
	\$ <u>32,741</u>

NOTE 13: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2009 have been reclassified to conform to June 30, 2010 presentation.

NOTE 14: REORGANIZATION

On July 1, 2009, Deep River-Millersburg Community School District and English Valleys Community School District voluntary reorganized calling the newly merged District, English Valleys Community School District.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 14: REORGANIZATION (Continued)

Government-wide net assets as previously reported:

June 30, 2009:

Governmental activities:

Deep River-Millersburg Community School District	\$ 552,910	
English Valleys Community School District	<u>2,434,028</u>	
		\$ 2,986,938

Adjustments:

Increase in cost of capital assets		1,090,276
------------------------------------	--	-----------

Increase in accumulated depreciation of capital assets		<u>(901,929)</u>
--	--	------------------

Government-wide net assets as restated June 30, 2009		\$ <u>3,175,285</u>
--	--	---------------------

Business type activities:

Deep river-Millersburg CSD	\$	18
----------------------------	----	----

English Valleys CSD		<u>46,881</u>
---------------------	--	---------------

Business type net assets as restated June 30, 2009	\$	<u>46,899</u>
--	----	---------------

NOTE 15: EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through March 31, 2011, the date which the financial statements were available to be issued.

## REQUIRED SUPPLEMENTARY INFORMATION

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2010

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
<b><u>REVENUES:</u></b>			
Local sources	\$ 3,659,023	\$ 137,020	\$ 3,796,043
State sources	2,609,144	2,160	2,611,304
Federal sources	<u>420,106</u>	<u>94,507</u>	<u>514,613</u>
Total revenues	<u>6,688,273</u>	<u>233,687</u>	<u>6,921,960</u>
<b><u>EXPENDITURES/EXPENSES:</u></b>			
Instruction	4,246,270	-	4,246,270
Support services	1,253,170	-	1,253,170
Non-instructional programs	-	248,538	248,538
Other expenditures	<u>565,109</u>	<u>-</u>	<u>565,109</u>
Total expenditures/expenses	<u>6,064,549</u>	<u>248,538</u>	<u>6,313,087</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	623,724	(14,851)	608,873
Other financing sources (uses):			
Transfers in	32,775	-	32,775
Transfers out	<u>(10,000)</u>	<u>(22,775)</u>	<u>(32,775)</u>
Total other financing sources (uses)	<u>22,775</u>	<u>(22,775)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	646,499	(37,626)	608,873
<b><u>BALANCE - Beginning of year, as restated</u></b>	<u>1,174,815</u>	<u>46,899</u>	<u>1,221,714</u>
<b><u>BALANCE - End of year</u></b>	\$ <u>1,821,314</u>	\$ <u>9,273</u>	\$ <u>1,830,587</u>

<u>Budgeted Amounts</u>		<u>Final to</u>	
<u>Original/Final</u>		<u>Actual</u>	
		<u>Variance</u>	
\$	4,335,576	\$	(539,533)
	3,234,284		(622,980)
	<u>710,250</u>		<u>(195,637)</u>
	<u>8,280,110</u>		<u>(1,358,150)</u>
	5,915,411		1,669,141
	3,603,417		2,350,247
	295,225		46,687
	<u>1,273,527</u>		<u>708,418</u>
	<u>11,087,580</u>		<u>4,774,493</u>
	(2,807,470)		3,416,343
	-		32,775
	-		<u>(32,775)</u>
	-		-
	(2,807,470)		3,416,343
	<u>1,213,889</u>		<u>7,825</u>
\$	<u>(1,593,581)</u>	\$	<u>3,424,168</u>

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-

BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service Funds, Private Purpose Trust Funds and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year ended	Actuarial	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAL as a
<u>June 30,</u>	<u>Valuation</u>	<u>Value of</u>	<u>Accrued</u>	<u>AAL</u>	<u>Ratio</u>	<u>Payroll</u>	<u>Percentage</u>
<u>Date</u>	<u>(a)</u>	<u>(b-a)</u>	<u>(b-a)</u>	<u>(b-a)</u>	<u>(a/b)</u>	<u>c</u>	<u>((b-a)/c)</u>
2010	July 1, 2009	-	\$ <u>1,966,735</u>	\$ <u>1,966,735</u>	0.0%	\$ <u>2,567,000</u>	76.6%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## OTHER SUPPLEMENTARY INFORMATION

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2010

	Special Revenue Funds				<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	
<u>ASSETS</u>					
Cash and pooled Investments	\$ 56,551	\$ 61,537	\$ 334,386	\$ 832,832	\$ 1,285,306
Receivables:					
Property tax:					
Delinquent	3,201	-	-	-	3,201
Succeeding year	120,000	-	106,392	-	226,392
Accounts receivable	-	1,096	9,752	-	10,848
Due from other governments	-	-	-	126,055	126,055
<b>TOTAL ASSETS</b>	<b>\$ 179,752</b>	<b>\$ 62,633</b>	<b>\$ 450,530</b>	<b>\$ 958,887</b>	<b>\$ 1,651,802</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES:</u>					
Accounts payable	\$ -	\$ 2,176	\$ -	\$ -	\$ 2,176
Salaries and benefits payable	31,732	-	-	-	31,732
Deferred revenue:					
Succeeding year property tax	120,000	-	106,392	-	226,392
Total liabilities	151,732	2,176	106,392	-	260,300
<u>FUND BALANCES:</u>					
Unreserved fund balances	28,020	60,457	344,138	958,887	1,391,502
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 179,752</b>	<b>\$ 62,633</b>	<b>\$ 450,530</b>	<b>\$ 958,887</b>	<b>\$ 1,651,802</b>

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2010

	<u>Special Revenue Funds</u>				<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 175,101	\$ -	\$ 91,931	\$ 391,127	\$ 658,159
Other	<u>13,679</u>	<u>145,275</u>	<u>37,423</u>	<u>33,348</u>	<u>229,725</u>
Total revenues	<u>188,780</u>	<u>145,275</u>	<u>129,354</u>	<u>424,475</u>	<u>887,884</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	256,436	-	-	-	256,436
Other	-	147,003	-	-	147,003
Support services:					
Administration	65,672	-	-	-	65,672
Other expenditures:					
Facilities acquisition	<u>-</u>	<u>-</u>	<u>26,881</u>	<u>65,574</u>	<u>92,455</u>
Total expenditures	<u>322,108</u>	<u>147,003</u>	<u>26,881</u>	<u>65,574</u>	<u>561,566</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(133,328)</u>	<u>(1,728)</u>	<u>102,473</u>	<u>358,901</u>	<u>326,318</u>
Other financing sources:					
Transfers in	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>(133,328)</u>	<u>8,272</u>	<u>102,473</u>	<u>358,901</u>	<u>336,318</u>
<b>FUND BALANCES - Beginning of year, as restated</b>	<u>161,348</u>	<u>52,185</u>	<u>241,665</u>	<u>599,986</u>	<u>1,055,184</u>
<b>FUND BALANCES - End of year</b>	<u>\$ 28,020</u>	<u>\$ 60,457</u>	<u>\$ 344,138</u>	<u>\$ 958,887</u>	<u>\$ 1,391,502</u>

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF NET ASSETS  
 NONMAJOR PROPRIETARY FUNDS  
 JUNE 30, 2010

	Enterprise		
	School	Student-Built	
	<u>Nutrition</u>	<u>House</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 14,105	\$ 15,041	\$ 29,146
Accounts receivable	183	200	383
Inventories	954	-	954
Capital assets, net of accumulated depreciation	<u>995</u>	<u>-</u>	<u>995</u>
TOTAL ASSETS	<u>16,237</u>	<u>15,241</u>	<u>31,478</u>
<u>LIABILITIES</u>			
Accounts payable	193	-	193
Salaries and benefits payable	11,499	-	11,499
Deferred revenue	5,201	-	5,201
Net OPEB liability	<u>5,312</u>	<u>-</u>	<u>5,312</u>
TOTAL LIABILITIES	<u>22,205</u>	<u>-</u>	<u>22,205</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	995	-	995
Unrestricted	<u>(6,963)</u>	<u>15,241</u>	<u>8,278</u>
TOTAL NET ASSETS	\$ <u>(5,968)</u>	\$ <u>15,241</u>	\$ <u>9,273</u>

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2010

	Enterprise		
	School <u>Nutrition</u>	Student-Built <u>House</u>	<u>Total</u>
<u>OPERATING REVENUES:</u>			
Local sources:			
Charges for meals	\$ 131,917	\$ -	\$ 131,917
Miscellaneous	<u>3,544</u>	<u>1,400</u>	<u>4,944</u>
Total operating revenues	<u>135,461</u>	<u>1,400</u>	<u>136,861</u>
<u>OPERATING EXPENSES:</u>			
Non-instructional programs:			
Salaries	85,297	-	85,297
Benefits	24,871	-	24,871
Supplies	133,532	-	133,532
Miscellaneous	2,024	225	2,249
Depreciation	<u>2,589</u>	<u>-</u>	<u>2,589</u>
Total operating expenses	<u>248,313</u>	<u>225</u>	<u>248,538</u>
Operating income (loss)	<u>(112,852)</u>	<u>1,175</u>	<u>(111,677)</u>
<u>NON-OPERATING REVENUES:</u>			
State sources	2,160	-	2,160
Federal sources	94,507	-	94,507
Interest income	<u>42</u>	<u>117</u>	<u>159</u>
Total non-operating revenues	<u>96,709</u>	<u>117</u>	<u>96,826</u>
Income (loss) before transfers	(16,143)	1,292	(14,851)
Other financing uses:			
Transfers out	<u>-</u>	<u>(22,775)</u>	<u>(22,775)</u>
Change in net assets	(16,143)	(21,483)	(37,626)
<u>NET ASSETS</u> - Beginning of year, as restated	<u>10,175</u>	<u>36,724</u>	<u>46,899</u>
<u>NET ASSETS</u> - End of year	\$ <u>(5,968)</u>	\$ <u>15,241</u>	\$ <u>9,273</u>

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS  
 NONMAJOR ENTERPRISE FUNDS  
 YEAR ENDED JUNE 30, 2010

	Enterprise		
	School Nutrition	Student-Built House	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash received from sale of meals	\$ 148,805	\$ -	\$ 148,805
Cash received for miscellaneous items	3,544	1,200	4,744
Cash payments to employees for services	(104,931)	-	(104,931)
Cash payments to suppliers for goods and services	(133,285)	(225)	(133,510)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(85,867)	975	(84,892)
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>			
State grants received	2,160	-	2,160
Federal grants received	80,330	-	80,330
Transfers out	-	(22,775)	(22,775)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	82,490	(22,775)	59,715
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest on investments	42	117	159
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,335)	(21,683)	(25,018)
<u>CASH AND CASH EQUIVALENTS - Beginning of year, as restated</u>	<u>17,440</u>	<u>36,724</u>	<u>54,164</u>
<u>CASH AND CASH EQUIVALENTS - End of year</u>	<u>\$ 14,105</u>	<u>\$ 15,041</u>	<u>\$ 29,146</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>			
Operating income (loss)	\$ (112,852)	\$ 1,175	\$ (111,677)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Commodities consumed	14,177	-	14,177
Depreciation	2,589	-	2,589
Increase in accounts receivable	(104)	(200)	(304)
Decrease in inventories	2,273	-	2,273
Increase in accounts payable	193	-	193
Decrease in salaries and benefits payable	(270)	-	(270)
Increase in deferred revenue	2,815	-	2,815
Increase in net OPEB liability	5,312	-	5,312
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (85,867)	\$ 975	\$ (84,892)
<u>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</u>			
During the year ended June 30, 2010, the District received \$14,177 in federal commodities			

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND -  
STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2010

<u>Account</u>	<u>Balance Beginning of Year, as restated</u>	<u>Revenue/ Transfers in</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Annual	\$ 466	\$ 5,146	\$ 2,868	\$ 2,744
Athletics	379	42,810	41,060	2,129
Cheerleaders	421	87	476	32
Golf	218	2,106	1,880	444
Class of:				
2008	21	-	-	21
2009	1	-	-	1
2010	404	455	642	217
2011	1,930	1,720	2,784	866
2012	635	660	-	1,295
2013	100	600	-	700
2014	381	-	-	381
Concessions	286	17,985	17,350	921
FFA	(721)	11,039	9,522	796
HS student activities	1,130	802	491	1,441
Lutton student activities	8,166	5,923	8,307	5,782
Interest	519	63	-	582
Library club	356	548	-	904
Model UN	153	215	-	368
Music boosters	8,029	16,046	12,609	11,466
Science club	26	-	-	26
Student council	311	11,097	11,042	366
Spanish club	278	-	-	278
Speech/drama	2,800	3,057	554	5,303
Girls softball	704	950	292	1,362
Girls basketball	3,077	3,803	3,649	3,231
Track	1,025	6,797	6,548	1,274
Boys basketball	2,260	515	1,853	922
Baseball	2,265	-	304	1,961
Wrestling	8,826	6,755	10,919	4,662
Football	1,512	2,418	933	2,997
Volleyball	1,287	3,951	3,766	1,472
Lutton	731	1,999	1,758	972
Heart fund	134	-	-	134
Book fair	55	4,407	4,503	(41)
Family night	4	-	-	4
FCCLA	170	547	537	180
Bear essentials	3,110	-	-	3,110
Valley rush	736	2,774	2,356	1,154
Totals	\$ 52,185	\$ 155,275	\$ 147,003	\$ 60,457

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST NINE YEARS

	Modified Accrual Basis Years Ended June 30,			
	<u>2010 *</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues:				
Local sources:				
Local tax	\$ 3,020,120	\$ 2,126,365	\$ 2,048,588	\$ 1,798,491
Tuition	231,404	435,950	526,412	540,154
Other	407,499	425,213	378,436	427,718
State sources	2,609,144	2,454,688	2,176,211	2,212,623
Federal sources	<u>420,106</u>	<u>204,577</u>	<u>115,009</u>	<u>136,596</u>
Total	\$ <u>6,688,273</u>	\$ <u>5,646,793</u>	\$ <u>5,244,656</u>	\$ <u>5,115,582</u>
Expenditures:				
Current:				
Instruction:				
Regular	\$ 2,877,903	\$ 2,299,969	\$ 2,198,522	\$ 1,975,095
Special	677,358	687,653	609,387	589,927
Other	691,009	781,401	684,830	711,051
Support services:				
Student	3,745	2,052	1,497	868
Instructional staff	72,654	56,630	73,624	66,186
Administration	620,483	594,817	557,789	520,600
Operation and maintenance				
of plant	261,848	241,962	276,456	251,756
Transportation	294,440	218,140	221,080	261,665
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisitions	92,455	328,974	408,430	341,026
Long term debt:				
Principal	195,000	190,000	185,000	185,000
Interest	48,190	52,940	58,399	62,190
AEA flow-through	<u>229,464</u>	<u>157,708</u>	<u>147,470</u>	<u>140,382</u>
Total	\$ <u>6,064,549</u>	\$ <u>5,612,246</u>	\$ <u>5,422,484</u>	\$ <u>5,105,746</u>

\* Includes figures as a merged district.

See Accompanying Independent Auditor's Report

SCHEDULE 7

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 1,856,775	\$ 1,757,958	\$ 1,664,110	\$ 1,629,439	\$ 1,599,624
482,087	415,982	406,331	366,089	314,901
334,090	358,670	330,664	332,526	348,179
1,902,649	1,909,318	1,896,927	1,830,632	1,819,592
<u>115,720</u>	<u>135,974</u>	<u>124,639</u>	<u>124,500</u>	<u>73,825</u>
\$ <u>4,691,321</u>	\$ <u>4,577,902</u>	\$ <u>4,422,671</u>	\$ <u>4,283,186</u>	\$ <u>4,156,121</u>
\$ 1,953,446	\$ 1,967,316	\$ 1,850,465	\$ 1,754,457	\$ 1,749,974
532,351	507,648	631,898	543,040	478,473
668,618	560,347	480,791	430,659	430,585
26	4,845	1,481	39,921	43,446
68,830	61,691	56,127	52,162	59,438
502,577	523,888	521,419	507,546	474,032
289,209	267,881	248,278	229,773	254,547
204,890	258,022	172,092	167,836	184,655
-	-	21,853	23,277	25,331
80,190	135,778	69,127	78,786	142,735
180,000	180,000	195,000	120,000	110,000
65,865	69,390	61,041	139,185	145,785
<u>133,846</u>	<u>133,316</u>	<u>136,119</u>	<u>139,916</u>	<u>139,078</u>
\$ <u>4,679,848</u>	\$ <u>4,670,122</u>	\$ <u>4,445,691</u>	\$ <u>4,226,558</u>	\$ <u>4,238,079</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
English Valleys Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of English Valleys Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 31, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered English Valleys Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of English Valleys Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of English Valleys Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether English Valleys Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

English Valleys Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit English Valleys Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of English Valleys Community School District and other parties to whom the District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of English Valleys Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
March 31, 2011

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Significant Deficiencies:

- II-A-10 Segregation of Duties – The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on the accounting records accuracy and reliability, although we noted the District had taken steps to segregate duties between present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

Instances of Non-Compliance:

No matters were noted.

Part III: Other Findings Related to Statutory Reporting:

- III-A-10 Certified Budget – Expenditures for the year ended June 30, 2010 did not exceed the amounts budgeted, although the District did budget for an overall fund balance deficit.

Recommendation – The District should budget in such a way that resources are available to pay for budgeted expenditures, not allowing for any fund balance deficits.

Response – We will review and consider your recommendation for any future budgets.

Conclusion – Response accepted.

- III-B-10 Questionable Expenditures – No expenditures we believe may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- III-C-10 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- III-D-10 Business Transactions – No business transactions between the District and District officials or employees were noted.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

Part III: Other Findings Related to Statutory Reporting: (Continued)

III-E-10 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-10 Board Minutes – We noted no transactions requiring Board approval which have not been approved by the Board.

III-G-10 Certified Enrollment – Variances in the basic enrollment data certified to the Department of Education were noted.

Recommendation – The District should develop procedures to ensure accurate attendance counts are taken throughout the year and accurate enrollment data is certified to the Iowa Department of Education.

Response – In the future, school enrollment will be checked against student attendance.

Conclusion – Response accepted.

III-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

III-I-10 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.

III-J-10 Certified Annual Report - The certified annual report was certified timely to the Iowa Department of Education.

III-K-10 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

III-L-10 Deficit Balances – The Internal Service Fund and one student activity account had deficit balances at June 30, 2010.

Recommendation – The District should investigate alternatives to eliminate these deficits in order to return this fund and account to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate any deficits in the funds or student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.

III-M-10 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services, and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

Part III: Other Findings Related to Statutory Reporting: (Continued)

Beginning balance	\$	599,986
Statewide sales, services and use tax		424,475
Expenditures/transfer out:		
School infrastructure:		
Equipment		46,923
Other improvements		<u>18,651</u>
Ending balance	\$	<u>958,887</u>